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Governor: Developer deal for sales tax wasn't secret

Agreement puts trust land out of builders' reach

by **Howard Fischer** - May. 22, 2008 12:00 AM
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Gov. Janet Napolitano stands by an agreement she made with home builders to take them off the financial hook for new road construction in exchange for their contributions to a sales-tax roads initiative and an agreement that thousands of acres of state trust land will be off-limits to them.

But she says the pact was not a secret, even though her office did not produce copies until specifically asked days later.

"I do not like this implication that there was somehow a secret deal," Napolitano said last week when asked by reporters why she did not disclose her arrangement with home builders.

"I know you're upset we didn't send you a press release about a letter," she said. "But we don't send you press releases about every letter we get."

The governor said there was a plan to make developers pay part of the freight for a \$42.6 billion plan to construct new highways, improve existing roads and finance a host of mass-transit projects. This included the concept of "benefit districts," where fees would be charged to home builders whose yet-to-be-built projects could benefit from being near new transit projects.

But the final proposal, being circulated on petitions, puts the entire financial burden on consumers in the form of a 1-cent increase in state sales taxes for the next 30 years. It is backed by the TIME (Transportation & Infrastructure Moving Az's Economy) Coalition.

So what changed?

The Home Builders Association of Central Arizona agreed to contribute \$100,000 to help gather signatures to put the measure on the November ballot. And in a letter to the governor memorializing the pact, the organization committed itself to giving an additional unspecified amount toward that effort.

Napolitano said, however, that the deal does not necessarily mean developers will bear no portion of the financial burden for the transit improvements, many of them needed because of the state's rapid growth.

She noted that Connie Wilhelm, president of the home-builders group, promised to work with the Governor's Office to craft legislation next year for additional transportation-infrastructure funding.

Still, the home builders provided no specifics about how much they would be willing to pay.

Napolitano also said she secured one other key concession: Wilhelm's group agreed not to oppose a separate initiative being pushed by the Nature Conservancy to permanently place 570,000 acres of state trust land off limits to developers.

Opposition from home builders was a key cause of the failure of a similar measure in 2006.

The deal was negotiated before the final version of the sales-tax initiative was filed May 6. And it was discussed in a letter dated that same day from Wilhelm to the governor.

At a news conference the next day, Napolitano was questioned about the measure and its financing. She said she supports the sales-tax initiative because it's the only source of revenue guaranteed to bring in the amount of money needed for roads.

Napolitano said the proposed tax hike is justified by the creation of a true statewide plan for transit needs. And she said the construction jobs that will be created will help stimulate the state's economy.

Spencer Kamps, lobbyist for the home-builders group, also defended the deal to put the financial burden on Arizona residents.

"Everybody uses it," he said, referring to roads.

Kamps said charging sales taxes and impact fees would amount to double taxation.

Jack Lunsford, a member of the TIME Coalition, said there were legitimate reasons to redraft the initiative to remove development fees. Some of them, he said, were purely practical.

He said there is a cycle of home development in Arizona, as shown by the current slump.

"So what happens to the revenue stream in terms of predictability?" he asked.

By contrast, Lunsford said, it is easier to calculate how much a penny hike in the sales tax will generate.

Kamps would not comment on the transit tax initiative and would not discuss why home builders agreed not to oppose the trust-land initiative.

That trust-land initiative is designed to protect 570,000 of the state's estimated 9.3 million acres given to Arizona by the U.S. government in 1912.